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TAGS: [PREL](#) [KWBG](#) [IS](#) [GAZA](#) [DISENGAGEMENT](#) [ISRAELI](#) [PALESTINIAN](#) [AFFAIRS](#) [GOI](#) [INTERNAL](#)

SUBJECT: THE LOW-DOWN ON DISENGAGEMENT LEGISLATION

Classified By: Economic Counselor William Weinstein for reasons 1.5 (b) and (d)

1. (C) Summary: Embassy economic officer on December 9 met with Dr. Shavit Matias and Malkiel "Mike" Blass, Deputy Attorneys General at the Ministry of Justice, to discuss the details of the evacuation legislation. While there have been complaints from settlers and MKs that the compensation amounts are too low, the MOJ lawyers stressed that the GOI is trying to be generous and fair, and that it understands the potential trauma evacuation may have on the settlers. To this end, the MOJ has devised a compensation package, with about 100 academics and businessmen, that includes compensation for homes, land, lost income, various grants, and also includes monetary help for businesses that will have to be closed down with disengagement. End summary.

We Want to be Fair

2. (C) Dr. Shavit Matias, Deputy Attorney General at the Ministry of Justice (MOJ), explained to econoff on December 9 that with respect to compensation for evacuating settlements, "the idea was to be generous" but not extravagant. While the MOJ thinks it is giving the settlers a good deal, it will not object if the GOI ultimately decides to compensate the settlers with more money. In order to come up with the compensation figures, the MOJ led a team of about 100 government officials, businessmen and academics to work out the package. According to Matias, settlers were invited to the negotiations but they did not want to come, although she acknowledged that some sent lawyers in their place. Matias stated that if Labor and Shas join the government coalition, the settlers will realize disengagement will be a reality and they will eventually get more involved in the process and actively lobby the Knesset for what they want.

Killer Bureaucracy

3. (C) Malkiel "Mike" Blass, Deputy Attorney General at the MOJ, told econoff that the legislation for the disengagement plan for now consists of 150 provisions, and the Knesset is negotiating hard time on everything down to the last comma. So far the MOJ has had at least four meetings with the Knesset Law Committee and one meeting with the Knesset Finance Committee to explain the provisions of the law, and Blass expects that there will be many more meetings in the future. Blass related that one of the biggest challenges of disengagement would be to keep the bureaucracy from killing the process, but he explained that it was important to undertake disengagement in a democratic manner regardless because Knesset approval is the only way for the plan to gain legitimacy in the eyes of Israelis.

The Disengagement Authority's Responsibilities

4. (C) In a presentation to econoff of the actual legislation, Blass explained that the purpose of the law was "regulating all matter of implementation of the disengagement plan, evacuation of Israelis and their properties, and giving fair and just compensation from the State to those entitled." The law gives the GOI the authority to establish the Disengagement Authority -- SELA headed by Yonatan Bassi -- and states that the main job of this entity will be to decide who is entitled to compensation and to decide on places for relocation, whether they be agricultural plots in kibbutzim or moshavim, or whether whole communities move together.

5. (C) Blass opined that the option of moving entire communities together was the best for psychological and social reasons since people would be moving with their families, friends and neighbors, but also the most complicated because the residents all have to agree amongst themselves whether this is what they want and because it usually takes three years to establish a new community from the ground up. As a result, the GOI is looking at small existing communities within Green Line Israel that already have the required zoning permits and infrastructure so that settlers can relocate to their new homes as quickly as possible.

16. (C) Blass said that in order to determine who is entitled to compensation, the GOI will establish an Entitlement Committee with a judge appointed by the MOJ to serve as chairman, either Bassi or his deputy from SELA, and an accountant from SELA. They will study the cases and conduct negotiations with approximately 1500 families and hundreds of businesses affected, and they will have the authority to verify documents and sign contracts relating to compensation on behalf of the GOI.

17. (C) Blass explained that settlers will have up to three years to claim their compensation with very clear evidence for their requests, but said that the GOI hopes settlers will submit their claims before the evacuations. In response to econoff's question, Blass said the GOI expected many ideological settlers to hold out "on principle" and related the story of a settler who left Yamit in 1982 but did not claim his compensation for another 15 years. Blass said SELA will give its decision in writing, and that settlers will be able to appeal in Magistrate Courts exclusively in Jerusalem because the GOI wants judges to build up expertise on disengagement.

Evacuation is the Heart

18. (C) While compensation provisions account for 90 percent of the legislation, Blass said the evacuation provisions were naturally the heart of the matter. He explained that the law gives the GOI the authority to evacuate the settlers, but at the end of the day Prime Minister Ariel Sharon will decide which group goes on which day. In response to econoff's question, Blass replied that there was nothing written down about giving the settlers a warning of their evacuation date, but the MOJ is negotiating this point with the Knesset.

19. (C) Blass also said the PM, the Ministry of Defense and the Ministry of Internal Security will all agree on a date before evacuation on which entry into the settlements will be limited. The rationale behind this is that the GOI does not want sympathizers to go into the areas beforehand and cause a "big balagan." Blass explained that between this day and the day of actual evacuation, visitors will need permits to enter the settlements but he acknowledged that working out a description of what constitutes a visitor versus a sympathizer will be difficult. He concluded that the more violent settlers and their visitors become, the more restrictive the GOI will be.

110. (C) According to Blass, on the day of evacuation the settlers' right to the land will be canceled and they will return the property to the authorities when they leave. They should be prepared to move all of their possessions ahead of time because any furniture left behind will become the property of the GOI. In addition, the security forces will have the authority to evacuate those who remain illegally with "reasonable force" and the MOJ has suggested creating a category of "special offenses" that would be different from criminal offenses for anyone who tries to stay, although it is negotiating this point with the Knesset, as well.

The Complicated Compensation Package

111. (C) Blass explained that the calculation of compensation packages will be very complicated but basically settlers will be compensated for the house and land, for loss of income, and for the loss of a business. In response to econoff's question, Blass replied that even if settlers are leasing the land but do not own it, they will still receive compensation (Note: in many cases, settlers have 49- or 50-year leases with the GOI but they do not technically have a title to the land, even if they may own the house on it. End note). Blass said that since these settlers had an expectation that they would be able to live on this property for 49 years, they should "get something."

112. (C) To compensate for the house and land, the MOJ has broken down the package into three options. Option A is for settlers who have lived in the houses for a short time, perhaps two years, or for settlers who own the property but do not live in it and rent it out instead. In this case, the compensation breaks down as follows:

--Self-built house: \$900/square meter
--Government-built house: \$750/square meter
--Pre-fabricated house: \$600/square meter

This is further broken down by the actual size of the house:

--160 or less meters: 100 percent of the value
--161-200 meters: 90 percent of the value
--200 meters: 80 percent of the value

According to Blass, the thought behind giving less money to settlers with the biggest houses is that the concept of economies-of-scale means it actually costs less to build a house the bigger it is.

13. (C) Option B is for settlers who have lived in their homes longer than two years and therefore have "stronger rights" to the property. In these cases, the settlers will receive compensation for the house as well as NIS225,000 for the land if they live in community settlements or NIS360,000 if they live in agricultural settlements. Settlers will receive a percentage of the value based on how long they have lived in the settlement up to eight years, at which point they will receive 100 percent of the value. Blass stated, however, that settlers will only be compensated for one house even if they own more than one.

14. (C) Blass related that Option C is for settlers who have short-term rental contracts with the GOI in public housing, and that this will apply to approximately 100 families in Neveh Dekalim and the northern West Bank settlements. If settlers have lived in public housing for more than eight years, they will receive NIS160,000 and will be entitled to public housing in Israel but not to land. Blass said the Knesset will likely increase this amount in the end.

15. (C) Blass acknowledged that the MOJ has received complaints that the compensation is too low, but in a presentation to the Knesset, Minister Meir Sheetrit said that if the MKs want to increase the packages, they will have to decide where cuts will be made in the rest of the budget because this money is coming out of the GOI's pockets. According to Blass, some MKs asked Sheetrit why the GOI did not ask "our friends" the Americans for help, but Sheetrit allegedly responded that for now the NIS2.5-3 billion for compensation and NIS2 billion for security is coming from Israeli funds. Blass also said the GOI was changing the law to increase the budget deficit to finance evacuation.

Throwing in Some Grants

16. (C) Blass explained that in addition to compensation for the house and land, settlers who live in their homes -- versus renting the homes out to others -- will also receive grants from the GOI. One of these grants is a moving grant which Blass claimed is "more than generous" for one move, although it may fall a little short if a second move is needed. For a family of three, the grant is NIS9,000; for a family of four or five, the grant is NIS13,500; and for six or more, the grant is NIS18,000. Settlers who cannot move directly to their new homes will also get six months worth of rent without having to show a contract. For a family of three, the grant is NIS10,800; for a family of four or five, the grant is NIS12,150; and for six or more, the grant is NIS13,500. If these settlers need to rent for longer than six months, they can receive an additional six months by showing a contract.

17. (C) Blass also said there was another grant for "just living the area." He described it as money anyone 21 years or older who has lived in a settlement at least five years will receive as the GOI's way of recognizing the trauma that evacuation may cause. The grant will be NIS2,400 per year that the settler lived in a settlement. In addition, according to Blass, the PM personally added a \$30,000 loan to settle in the Negev or the Galilee that will become a grant after five years if the settler stays in the area. The last incentive for settlers is that if they buy an apartment in Israel within four years of evacuation, they will receive a refund on the purchase tax, which he said is approximately \$10,000 for a \$300,000 apartment.

Income Supplements

18. (C) Blass explained that workers must live and work in a settlement to receive compensation for lost income, or an "adjustment payment." Settlers who live in a settlement but work within the Green Line will not receive income supplements nor will Israelis who live within the Green Line but work in a settlement. According to Blass, the adjustment payment for individuals who live and work in a settlement will be six months worth of their average annual salary for the year before evacuation. In addition, if they are paying into a pension fund, the GOI will pay into the fund for them for those six months.

19. (C) If the settler is 57 years of age or older, has lived in a settlement at least four years, and has worked in the settlement at least three years, s/he will also be entitled to a "retirement payment" which is 60 percent of the adjustment payment but not more than 70 percent of the

average salary in Israel, or a maximum of NIS5,000 per month. The expectation is that anyone 57 or older may not be able to find a job in Israel so settlers will receive this payment until they are 67 at which point regular pension and social security payments will kick in. Blass was unsure, however, if this payment would take place if the settler could find a job despite his or her age.

Businesses and Public Institutions Get Help, Too

120. (C) Blass said a special team was created to determine how to compensate businesses and there will be two options for this. The first option will be based on the value of the assets of the business, such as computers, equipment, and supplies, and the second option will be based on the companies' money flow, or "revenue minus costs." Another special committee wrote the guidelines for how to compensate infrastructure companies such as telephone, electricity and water, as well.

121. (C) Blass explained that the GOI will also have non-profit organizations to deal with, such as institutions that build swimming pools, synagogues or community centers. These organizations have funds that they collect from their members, but they will have to be liquidated. The Gaza Strip municipality, from its debts to its workers, will also have to be liquidated, although the municipality in the northern West Bank will not since only four settlements there will be evacuated.

122. (C) In addition, Blass stated that the GOI will have to work with private banks who have liens on the settlers' houses or businesses. The government wants to avoid a situation in which it compensates a settler for a house he has not paid off and then the settler takes the money without paying back the bank because then the GOI will have to pay twice. According to Blass, the GOI will publicize when a settler will receive compensation so that the banks will have advanced notice and can collect.

Comment

123. (C) It seems the MOJ has tried to cover every angle when determining how to compensate the settlers that will be evacuated, and Blass concluded the meeting by stating that the legislation also includes provisions to establish a Special Committee for cases the MOJ may not have considered because it could not "think of everything." Despite MOJ's attempts to be generous and fair, however, the legislation faces an uphill battle in the Knesset and Blass's comments that the bureaucracy could kill the process should not be taken lightly. End comment.

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